



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE April 25, 2003

Contact: Andy Nielsen
515/281-5515

The Office of Auditor of State today released an audit report on Warren County, Iowa.

The County reported local tax revenue of \$37,801,407 for the year ended June 30, 2002, which included \$1,951,456 in tax credits from the state. The County forwarded \$30,465,988 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,335,419 of the local tax revenue to finance County operations, a 2 percent increase from the prior year. Other revenues included \$5,858,151 from the state, including indirect federal funding, \$292,094 from direct federal grants and entitlements, and \$283,568 from the use of money and property.

Expenditures for County operations totaled \$16,704,847, a 9 percent increase from the prior year. Expenditures included \$4,469,042 for roads and transportation, \$2,945,551 for public safety and \$2,503,407 for mental health.

This report contains recommendations to the County officials. For example, the County Sheriff and County Recorder should review the operating procedures of their offices to obtain the maximum internal control possible under the circumstances. The County's responses are included in the audit report.

A copy of the audit report is available for review in the Office of the Auditor of State and the County Auditor's office.

#

WARREN COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2002

Table of Contents

| | <u>Page</u> |
|--|-----------------|
| Officials | 3 |
| Independent Auditor's Report | 5-6 |
| General Purpose Financial Statements: | <u>Exhibit</u> |
| Combined Balance Sheet – All Fund Types and Account Group | A 8-11 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types | B 12-15 |
| Comparison of Receipts, Disbursements and Changes in Balance – Actual to Budget (Cash Basis) – All Governmental Fund Types | C 17 |
| Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit) – Proprietary Fund Type | D 18 |
| Statement of Cash Flows – Proprietary Fund Type | E 19 |
| Notes to Financial Statements | 20-34 |
| Supplemental Information: | <u>Schedule</u> |
| General Fund: | |
| Statement of Revenues, Expenditures and Changes in Fund Balance | 1 36-37 |
| Statement of Expenditures | 2 39-41 |
| Special Revenue Funds: | |
| Combining Balance Sheet | 3 42-43 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 4 44-51 |
| Debt Service Fund: | |
| Statement of Revenues, Expenditures and Changes in Fund Balance | 5 52 |
| Agency Funds: | |
| Combining Balance Sheet | 6 54-57 |
| Combining Statement of Changes in Assets and Liabilities | 7 58-61 |
| Comparison of Taxes and Intergovernmental Revenue | 8 62 |
| Schedule of Expenditures of Federal Awards | 9 63-64 |
| Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting | 65-66 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance | 69-70 |
| Schedule of Findings and Questioned Costs | 71-79 |
| Staff | 80 |

Warren County

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------|----------------------|---------------------|
| Bob Sandy | Board of Supervisors | Jan 2003 |
| E. David Mineart | Board of Supervisors | Jan 2005 |
| Kevin Middleswart | Board of Supervisors | Jan 2005 |
| Traci Vander Linden | County Auditor | Jan 2005 |
| Julie Daugherty | County Treasurer | Jan 2003 |
| Judith K. Lathrop | County Recorder | Jan 2003 |
| James Lee | County Sheriff | Jan 2005 |
| Kevin Parker | County Attorney | Jan 2003 |
| David Ellis | County Assessor | Jan 2004 |

Warren County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Warren County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Warren County, Iowa, as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of Warren County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with U.S. generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the general purpose financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Warren County at June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types of Warren County for the year ended June 30, 2002.

As discussed in Note 13 to the financial statements, Warren County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2003. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements will include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our reports dated March 27, 2003 on our consideration of Warren County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed qualified opinions on those financial statements for the effect of the omission of the general fixed assets account group. The supplemental information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

March 27, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Financial Statements

Warren County
Combined Balance Sheet
All Fund Types and Account Group
June 30, 2002

| | Governmental Fund | | |
|--|---------------------|--------------------|-----------------|
| | General | Special Revenue | Debt Service |
| Assets and Other Debits | | | |
| Cash and pooled investments: | | | |
| County Treasurer | \$ 2,227,845 | 2,303,644 | 85,703 |
| Other County officials | - | - | - |
| Investment in note (note 6) | 449,590 | - | - |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 28,065 | 20,628 | 2,787 |
| Succeeding year | 4,314,000 | 2,606,000 | 405,000 |
| Interest and penalty on property tax | 121,086 | 584 | - |
| Accounts | 33,017 | 52 | - |
| Accrued interest | 47,064 | - | - |
| Special assessments | - | - | - |
| Due from other funds (note 3) | 65,594 | 15,987 | 6,342 |
| Due from other governments | 153,080 | 249,311 | - |
| Inventories | 56,500 | 27,219 | - |
| Prepaid insurance | - | 76,892 | - |
| Property and equipment (less accumulated depreciation of \$38,852) (note 4) | - | - | - |
| Amount available in Debt Service Fund | - | - | - |
| Amount reserved in General Fund | - | - | - |
| Amount to be provided for retirement of general long-term debt | - | - | - |
| Total assets and other debits | \$ 7,495,841 | 5,300,317 | 499,832 |

| Type | Proprietary Fund Type | Fiduciary Fund Type | Account Group | Total (Memorandum Only) |
|---------------------|--------------------------|------------------------|------------------------------|-------------------------------|
| Capital Projects | Internal Service | Agency | General Long-Term Debt | |
| 120,470 | - | 1,726,094 | - | 6,463,756 |
| - | - | 93,520 | - | 93,520 |
| - | - | - | - | 449,590 |
| - | - | 160,047 | - | 211,527 |
| - | - | 28,907,000 | - | 36,232,000 |
| - | - | - | - | 121,670 |
| - | - | 96,727 | - | 129,796 |
| - | - | - | - | 47,064 |
| - | - | 723,000 | - | 723,000 |
| - | 7,074 | 9,204 | - | 104,201 |
| - | 23,428 | 72,463 | - | 498,282 |
| - | 15,199 | - | - | 98,918 |
| - | - | - | - | 76,892 |
| - | 47,645 | - | - | 47,645 |
| - | - | - | 92,132 | 92,132 |
| - | - | - | 449,590 | 449,590 |
| - | - | - | 3,081,090 | 3,081,090 |
| 120,470 | 93,346 | 31,788,055 | 3,622,812 | 48,920,673 |

Warren County
Combined Balance Sheet
All Fund Types and Account Group
June 30, 2002

| | Governmental Fund | | |
|--|---------------------|------------------|----------------|
| | General | Special Revenue | Debt Service |
| Liabilities and Fund Equity | | | |
| Liabilities: | | | |
| Accounts payable | \$ 78,798 | 172,734 | - |
| Salaries and benefits payable | 80,309 | 33,671 | - |
| Due to other funds (note 3) | 20,344 | 4,049 | - |
| Due to other governments (note 5) | 52,728 | 273,984 | - |
| Trusts payable | - | - | - |
| Deferred revenue: | | | |
| Succeeding year property tax | 4,314,000 | 2,606,000 | 405,000 |
| Other | 150,445 | 30,446 | 2,700 |
| Capital loan notes (note 6) | - | - | - |
| General obligation bonds (note 6) | - | - | - |
| Compensated absences | 51,663 | 35,260 | - |
| Total liabilities | <u>4,748,287</u> | <u>3,156,144</u> | <u>407,700</u> |
| Fund equity: | | | |
| Contributed capital | - | - | - |
| Unreserved retained earnings (deficit) | - | - | - |
| Fund balances: | | | |
| Reserved for: | | | |
| Inventories | 56,500 | 27,219 | - |
| Prepaid insurance | - | 76,892 | - |
| Investment in note (note 6) | 449,590 | - | - |
| Debt service | - | - | 92,132 |
| Supplemental levy purposes | 9,618 | - | - |
| Unreserved | | | |
| Designated for future jail expansion | 750,000 | - | - |
| Undesignated | 1,481,846 | 2,040,062 | - |
| Total fund equity | <u>2,747,554</u> | <u>2,144,173</u> | <u>92,132</u> |
| Total liabilities and fund equity | <u>\$ 7,495,841</u> | <u>5,300,317</u> | <u>499,832</u> |

See notes to financial statements.

| Type | Proprietary Fund Type | Fiduciary Fund Type | Account Group | Total (Memorandum Only) |
|---------------------|--------------------------|------------------------|------------------------------|-------------------------------|
| Capital Projects | Internal Service | Agency | General Long-Term Debt | |
| - | 14,086 | 4,517 | - | 270,135 |
| - | - | 17,339 | - | 131,319 |
| - | 13,435 | 66,373 | - | 104,201 |
| 2,473 | 27 | 31,603,011 | - | 31,932,223 |
| - | - | 82,823 | - | 82,823 |
| - | - | - | - | 7,325,000 |
| - | - | - | - | 183,591 |
| - | - | - | 455,000 | 455,000 |
| - | - | - | 2,890,000 | 2,890,000 |
| - | - | 13,992 | 277,812 | 378,727 |
| 2,473 | 27,548 | 31,788,055 | 3,622,812 | 43,753,019 |
| - | 83,755 | - | - | 83,755 |
| - | (17,957) | - | - | (17,957) |
| - | - | - | - | 83,719 |
| - | - | - | - | 76,892 |
| - | - | - | - | 449,590 |
| - | - | - | - | 92,132 |
| - | - | - | - | 9,618 |
| - | - | - | - | 750,000 |
| 117,997 | - | - | - | 3,639,905 |
| 117,997 | 65,798 | - | - | 5,167,654 |
| 120,470 | 93,346 | 31,788,055 | 3,622,812 | 48,920,673 |

Warren County
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types

Year ended June 30, 2002

| | Governmental | |
|---|--------------|--------------------|
| | General | Special Revenue |
| Revenues: | | |
| Property and other County tax | \$ 4,196,476 | 2,319,342 |
| Interest and penalty on property tax | 113,333 | - |
| Intergovernmental | 2,834,973 | 4,135,410 |
| Licenses and permits | 87,716 | 385 |
| Charges for service | 978,367 | 13,750 |
| Use of money and property | 274,808 | 2,418 |
| Fines, forfeitures and defaults | 12,657 | - |
| Miscellaneous | 171,091 | 175,266 |
| Total revenues | 8,669,421 | 6,646,571 |
| Expenditures: | | |
| Operating: | | |
| Public safety | 2,945,551 | - |
| Court services | 184,506 | - |
| Physical health and education | 706,480 | 69,454 |
| Mental health | - | 2,503,407 |
| Social services | 1,011,798 | - |
| County environment | 517,883 | 113,778 |
| Roads and transportation | - | 4,469,042 |
| State and local government services | 493,785 | 14,614 |
| Interprogram services | 1,576,445 | - |
| Debt service | 82,030 | - |
| Capital projects | 989,278 | 585,223 |
| Total expenditures | 8,507,756 | 7,755,518 |
| Excess (deficiency) of revenues over (under) expenditures | 161,665 | (1,108,947) |

| Fund Types | | Total |
|-----------------|---------------------|----------------------|
| Debt Service | Capital Projects | (Memorandum Only) |
| 412,993 | - | 6,928,811 |
| - | - | 113,333 |
| 24,031 | - | 6,994,414 |
| - | - | 88,101 |
| - | - | 992,117 |
| 6,342 | - | 283,568 |
| - | - | 12,657 |
| - | - | 346,357 |
| 443,366 | - | 15,759,358 |
| - | - | 2,945,551 |
| - | - | 184,506 |
| - | - | 775,934 |
| - | - | 2,503,407 |
| - | - | 1,011,798 |
| - | - | 631,661 |
| - | - | 4,469,042 |
| - | - | 508,399 |
| - | - | 1,576,445 |
| 439,100 | - | 521,130 |
| - | 2,473 | 1,576,974 |
| 439,100 | 2,473 | 16,704,847 |
| 4,266 | (2,473) | (945,489) |

Warren County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types

Year ended June 30, 2002

| | Governmental | |
|---|---------------------|--------------------|
| | General | Special Revenue |
| Other financing sources (uses): | | |
| Sale of fixed assets | 6,575 | - |
| Operating transfers in | - | 1,529,337 |
| Operating transfers out | (147,038) | (1,382,299) |
| Total other financing sources (uses) | (140,463) | 147,038 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 21,202 | (961,909) |
| Fund balances beginning of year | 2,754,475 | 3,079,616 |
| Increase (decrease) in reserve for: | | |
| Inventories | 543 | 6,326 |
| Prepaid insurance | (28,666) | 20,140 |
| Fund balances end of year | <u>\$ 2,747,554</u> | <u>2,144,173</u> |

See notes to financial statements.

| Fund Types | | Total |
|-----------------|---------------------|----------------------|
| Debt Service | Capital Projects | (Memorandum Only) |
| - | - | 6,575 |
| - | - | 1,529,337 |
| - | - | (1,529,337) |
| - | - | 6,575 |
| 4,266 | (2,473) | (938,914) |
| 87,866 | 120,470 | 6,042,427 |
| - | - | 6,869 |
| - | - | (8,526) |
| 92,132 | 117,997 | 5,101,856 |

Warren County

Warren County

Comparison of Receipts, Disbursements and
Changes in Balances – Actual to Budget (Cash Basis)
All Governmental Fund Types

Year ended June 30, 2002

| | Actual | Amended Budget | Variance - Favorable (Unfavorable) | Actual as % of Amended Budget |
|---|---------------------|-------------------|--|--|
| Receipts: | | | | |
| Property and other County tax | \$ 6,927,897 | 6,900,799 | 27,098 | 100% |
| Interest and penalty on property tax | 112,591 | 100,000 | 12,591 | 113% |
| Intergovernmental | 7,039,808 | 7,495,498 | (455,690) | 94% |
| Licenses and permits | 100,100 | 85,380 | 14,720 | 117% |
| Charges for service | 967,510 | 1,002,699 | (35,189) | 96% |
| Use of money and property | 290,579 | 328,378 | (37,799) | 88% |
| Fines, forfeitures and defaults | 11,727 | 89,000 | (77,273) | 13% |
| Miscellaneous | 330,247 | 337,973 | (7,726) | 98% |
| Total receipts | <u>15,780,459</u> | <u>16,339,727</u> | <u>(559,268)</u> | <u>97%</u> |
| Disbursements: | | | | |
| Public safety | 2,946,624 | 2,959,637 | 13,013 | 100% |
| Court services | 178,148 | 179,100 | 952 | 99% |
| Physical health and education | 774,457 | 810,453 | 35,996 | 96% |
| Mental health | 2,444,240 | 2,563,365 | 119,125 | 95% |
| Social services | 1,072,865 | 1,202,495 | 129,630 | 89% |
| County environment | 630,638 | 642,310 | 11,672 | 98% |
| Roads and transportation | 4,454,310 | 4,527,500 | 73,190 | 98% |
| State and local government services | 504,700 | 518,597 | 13,897 | 97% |
| Interprogram services | 1,647,177 | 1,815,669 | 168,492 | 91% |
| Debt service | 521,130 | 521,132 | 2 | 100% |
| Capital projects | 2,034,925 | 2,292,325 | 257,400 | 89% |
| Total disbursements | <u>17,209,214</u> | <u>18,032,583</u> | <u>823,369</u> | <u>95%</u> |
| Deficiency of receipts under disbursements | (1,428,755) | (1,692,856) | | |
| Other financing sources, net | <u>6,575</u> | <u>7,000</u> | | |
| Deficiency of receipts and other financing sources under disbursements and other financing uses | (1,422,180) | (1,685,856) | | |
| Balance beginning of year | <u>6,170,241</u> | <u>6,170,241</u> | | |
| Balance end of year | <u>\$ 4,748,061</u> | <u>4,484,385</u> | | |

See notes to financial statements.

Exhibit D

Warren County

Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit)

Proprietary Fund Type

Year ended June 30, 2002

| | <u>Internal Service - Fuel Station</u> |
|---|--|
| Operating revenues: | |
| Reimbursements from operating funds | \$ 94,954 |
| Reimbursements from other governments | 128,356 |
| Fuel and other tax refunds | <u>32,855</u> |
| Total operating revenues | <u>256,165</u> |
| Operating expenses: | |
| Fuel | 188,759 |
| State fuel and other taxes | 33,632 |
| Clerical | 15,124 |
| Utilities | 286 |
| Depreciation | <u>6,117</u> |
| Total operating expenses | <u>243,918</u> |
| Net income | 12,247 |
| Retained earnings (deficit) beginning of year | <u>(30,204)</u> |
| Retained earnings (deficit) end of year | <u><u>\$ (17,957)</u></u> |

See notes to financial statements.

Warren County
Statement of Cash Flows
Proprietary Fund Type
Year ended June 30, 2002

| | <u>Internal Service - Fuel Station</u> |
|--|--|
| Cash flows from operating activities: | |
| Cash received from operating fund reimbursements | \$ 96,908 |
| Cash received from other governments | 118,935 |
| Cash received from miscellaneous reimbursements | 31,259 |
| Cash payments to suppliers for services | <u>(223,502)</u> |
| Net cash provided by operating activities | 23,600 |
| Cash flows from non-capital financing activities: | |
| Deficit cash implicitly financed | (23,600) |
| Cash and cash equivalents beginning of year | <u>-</u> |
| Cash and cash equivalents end of year | <u><u>\$ -</u></u> |
| Reconciliation of net income to net cash provided by operating activities: | |
| Net income | \$ 12,247 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation | 6,117 |
| Changes in asset and liabilities: | |
| Decrease in due from other funds | 4,128 |
| (Increase) in due from other governments | (13,191) |
| Decrease in inventories, at cost | 9,807 |
| Increase in accounts payable | 4,468 |
| Increase in due to other funds | <u>24</u> |
| Net cash provided by operating activities | <u><u>\$ 23,600</u></u> |

See notes to financial statements.

Warren County
Notes to Financial Statements
June 30, 2002

(1) Summary of Significant Accounting Policies

Warren County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

A. Reporting Entity

For financial reporting purposes, Warren County has included all funds, organizations, account group, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Joint Ventures - The County operates a Joint Vehicle Fueling Facility under a 28E agreement with the City of Indianola and the Indianola School District. Warren County records the activity of this joint venture in a Proprietary Fund Type.

The County also participates in the Wastewater Reclamation Authority (WRA) (formerly the Des Moines Area Integrated Community Area Wastewater Facilities Project). The WRA, a joint venture, was developed as the result of an agreement between the City of Des Moines and surrounding municipalities.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Warren County Assessor's Conference Board, Warren County Emergency Management Commission, Warren County Economic Development Corporation, and the Warren County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: The Housing Authority of Warren County, the Central Iowa Regional Transportation Planning Alliance, the Cooperative Reimbursement Agreement for Child Support Enforcement and Establishment and the Des Moines Area Metropolitan Planning Organization.

B. Fund Accounting

The accounts of the County are organized on the basis of funds and account group, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures or expenses. The various funds and account group and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

Capital Projects Funds – The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities.

Proprietary Fund

Internal Service Fund – The Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

Fiduciary Funds

Agency Funds – The Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature; assets equal liabilities, and do not involve measurement of results of operations.

Account Group

General Long-Term Debt – This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its proprietary funds, the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when incurred.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2001.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable - Special assessments receivable represents amounts assessed to individuals for work done that benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2002, balances of interfund amounts receivable or payable have been recorded.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represent amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivables and other receivables not collected within sixty days after year end.

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory time, vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2002.

Property and Equipment: Proprietary Fund Type – Property and equipment are recorded at historical cost. Depreciation of exhaustible fixed assets used by the proprietary fund type is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives of equipment vary from 15 to 20 years.

Interest is capitalized on qualified proprietary fund assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. During the year ended June 30, 2002, no interest costs were capitalized since there were no qualifying assets.

F. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except internal service and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 12 major classes of expenditures known as service areas, not by fund or fund type. These 12 service areas are: public safety, court services, physical health and education, mental health, social services, county environment, roads and transportation, state and local government services, interprogram services, non-program, debt service and capital projects. Service area disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund and capital projects funds. Although the budget document presents service area disbursements by fund, the legal level of control is at the aggregated service area level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by service area, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

| | Governmental Fund Types | | | | | |
|-------------------------------------|-------------------------|-----------------------------|------------------------------|-----------------|-----------------------------|------------------------------|
| | General | | | Special Revenue | | |
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 8,718,988 | (49,567) | 8,669,421 | 6,612,415 | 34,156 | 6,646,571 |
| Expenditures | 9,086,690 | (578,934) | 8,507,756 | 7,683,424 | 72,094 | 7,755,518 |
| Net | (367,702) | 529,367 | 161,665 | (1,071,009) | (37,938) | (1,108,947) |
| Other financing sources (uses) | (140,463) | - | (140,463) | 147,038 | - | 147,038 |
| Beginning fund balances | 2,736,010 | 18,465 | 2,754,475 | 3,238,014 | (158,398) | 3,079,616 |
| Increase (decrease) in reserve for: | | | | | | |
| Inventories | - | 543 | 543 | - | 6,326 | 6,326 |
| Prepaid insurance | - | (28,666) | (28,666) | - | 20,140 | 20,140 |
| Ending fund balances | \$ 2,227,845 | 519,709 | 2,747,554 | 2,314,043 | (169,870) | 2,144,173 |

| | Governmental Fund Types | | | | | |
|-------------------------------------|-------------------------|-----------------------------|------------------------------|------------------|-----------------------------|------------------------------|
| | Debt Service | | | Capital Projects | | |
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 449,056 | (5,690) | 443,366 | - | - | - |
| Expenditures | 439,100 | - | 439,100 | - | 2,473 | 2,473 |
| Net | 9,956 | (5,690) | 4,266 | - | (2,473) | (2,473) |
| Other financing sources (uses) | - | - | - | - | - | - |
| Beginning fund balances | 75,747 | 12,119 | 87,866 | 120,470 | - | 120,470 |
| Increase (decrease) in reserve for: | | | | | | |
| Inventories | - | - | - | - | - | - |
| Prepaid insurance | - | - | - | - | - | - |
| Ending fund balances | \$ 85,703 | 6,429 | 92,132 | 120,470 | (2,473) | 117,997 |

| | Total | | |
|-------------------------------------|---------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | 15,780,459 | (21,101) | 15,759,358 |
| Expenditures | 17,209,214 | (504,367) | 16,704,847 |
| Net | (1,428,755) | 483,266 | (945,489) |
| Other financing sources (uses) | 6,575 | - | 6,575 |
| Beginning fund balances | 6,170,241 | (127,814) | 6,042,427 |
| Increase (decrease) in reserve for: | | | |
| Inventories | - | 6,869 | 6,869 |
| Prepaid insurance | - | (8,526) | (8,526) |
| Ending fund balances | 4,748,061 | 353,795 | 5,101,856 |

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$40,440 pursuant to rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2002 is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|-------------------------------------|-------------------|
| General | Special Revenue: Secondary Roads | \$ 318 |
| | Internal Service: Fuel Station | 37 |
| | Agency: County Recorder | 29,366 |
| | County Sheriff | 11,591 |
| | County Assessor | 100 |
| | E911 Service board | 100 |
| | Emergency Management | 25 |
| | Auto License and Use Tax | 24,057 |
| Special Revenue: Rural Services | Internal Service: Fuel Station | 297 |
| Secondary Roads | Fuel Station | 13,101 |
| Resource Enhancement and Protection | General | 1,518 |
| County Recorder's Records Management | Agency: County Recorder | 1,071 |
| Debt Service | General | 6,342 |
| Internal Service: Fuel Station | General | 3,280 |
| | Special Revenue: Secondary Roads | 3,731 |
| | Agency: Emergency Management | 14 |
| | E911 Service Board | 34 |
| | County Assessor | 15 |
| Agency: E911 Service Board | General | 9,204 |
| Total | | <u>\$ 104,201</u> |

(4) Property and Equipment

A summary of changes in property and equipment of the Internal Service Fund for the year ended June 30, 2002 is as follows:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|----------------------------------|---------------------------------|-----------|-----------|---------------------------|
| Property and equipment | \$ 86,497 | - | - | 86,497 |
| Less accumulated depreciation | | | | (38,852) |
| Total | | | | \$ 47,645 |

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

| Fund | Description | Amount |
|----------------------------------|-------------|--------------|
| General | Services | \$ 52,728 |
| Special Revenue: | | |
| Secondary Roads | Services | 2,614 |
| Mental Health | | 271,370 |
| | | 273,984 |
| Capital Projects | | 2,473 |
| Internal Service | | 27 |
| Agency: | | |
| County Recorder | Collections | 20,141 |
| Agricultural Extension Education | | 87,681 |
| County Assessor | | 661,376 |
| Schools | | 20,692,018 |
| Community Colleges | | 601,218 |
| Corporations | | 6,946,025 |
| Townships | | 400,491 |
| Auto License and Use Tax | | 721,962 |
| Emergency Management Services | | 87,060 |
| City Special Assessments | | 780,741 |
| Child Support Recovery | | 62,004 |
| E911 Service Board | | 398,088 |
| All other | | 144,206 |
| | | 31,603,011 |
| Total | | \$31,932,223 |

(6) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

| | Capital Loan Notes | General Obligation Bonds | Compensated Absences | Total |
|---------------------------|--------------------------|--------------------------------|-------------------------|-----------|
| Balance beginning of year | \$ 500,000 | 3,185,000 | 277,554 | 3,962,554 |
| Additions | - | - | 258 | 258 |
| Reductions | 45,000 | 295,000 | - | 340,000 |
| Balance end of year | \$ 455,000 | 2,890,000 | 277,812 | 3,622,812 |

Capital Loan Notes

In September 1989, the County entered into an agreement with the Lakewood Benefited Recreational Lake District to assist the District in financing the cost of improving Colchester Lake and recreational facilities. Under the agreement, Warren County issued \$850,000 of General Fund capital loan notes and acquired the District's debt instrument.

The County's capital loan notes mature and are to be paid from the corresponding revenues received by the County from the District's note. However, the capital loan notes are a general obligation of the County's General Fund and the County would be liable for these payments should the revenues from the District be insufficient. The notes mature in June 2009. The County's remaining investment in the District's notes at June 30, 2002 is \$455,000.

The General Fund balance is reserved for the County's investment in the District's note as this note's proceeds are only intended to retire the Lakewood District capital loan note.

Details of the notes at June 30, 2002 are as follows:

| Year Ending June 30, | Interest Rates | Lakewood District | | |
|----------------------------|-------------------|-------------------|----------|---------|
| | | Principal | Interest | Total |
| 2003 | 7.20% | \$ 50,000 | 33,513 | 83,513 |
| 2004 | 7.25 | 55,000 | 29,912 | 84,912 |
| 2005 | 7.30 | 60,000 | 25,925 | 85,925 |
| 2006 | 7.35 | 65,000 | 21,545 | 86,545 |
| 2007 | 7.40 | 70,000 | 16,768 | 86,768 |
| 2008 | 7.45 | 75,000 | 11,587 | 86,587 |
| 2009 | 7.50 | 80,000 | 6,000 | 86,000 |
| Total | | \$ 455,000 | 145,250 | 600,250 |

During the year ended June 30, 2002, the County retired \$45,000 of capital loan notes.

General Obligation Bonds

A summary of the County's June 30, 2002 general obligation bonded indebtedness is as follows:

| Year Ending June 30, | Interest Rates | Administration Building | | |
|----------------------------|-------------------|-------------------------|----------|-----------|
| | | Principal | Interest | Total |
| 2003 | 4.50% | \$ 305,000 | 130,672 | 435,672 |
| 2004 | 4.50 | 320,000 | 116,948 | 436,948 |
| 2005 | 4.50 | 335,000 | 102,547 | 437,547 |
| 2006 | 4.50 | 350,000 | 87,473 | 437,473 |
| 2007 | 4.50 | 370,000 | 71,722 | 441,722 |
| 2008 | 4.50 | 385,000 | 55,073 | 440,073 |
| 2009 | 4.55 | 405,000 | 37,748 | 442,748 |
| 2010 | 4.60 | 420,000 | 19,320 | 439,320 |
| Total | | \$ 2,890,000 | 621,503 | 3,511,503 |

During the year ended June 30, 2002, the County retired \$295,000 of general obligation bonds.

(7) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$364,865, \$334,390, and \$320,037, respectively, equal to the required contributions for each year.

(8) Risk Management

Warren County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2002 were \$117,133.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing-recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2002, no liability has been recorded in the County's financial statements. As of June 30, 2002, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with property, workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Joint Ventures

Joint Vehicle Fueling Facility

The County, under a 28E agreement with the City of Indianola and the Indianola School District, has agreed to design, construct, and operate a "Joint Vehicle Fueling Facility". The County is the owner/operator with the County Engineer administering the facility. The cost of constructing the facility is shared under the following percentages: Warren County, 53 percent, City of Indianola, 18 percent, and the Indianola School District, 29 percent. All annual operating expenses are shared in the same ratio. The cost of fuel provided to members will be on an individual usage basis at the same cost paid by the Joint Venture. Upon termination or closure, no money will be returned to any of the parties. The County is currently accounting for the project and fuel reimbursements in an Internal Service Fund.

Wastewater Reclamation Authority

The County is a member of the Wastewater Reclamation Authority (WRA), a joint venture established in accordance with the provisions of Chapter 28E of the Code of Iowa for the purpose of planning, constructing, operating, and managing sewer-related facilities in order to solve members' waste water problems. Pursuant to the joint venture agreement, the City of Des Moines is the operating agency and, as such, provides the management and each member participates in governing the joint venture.

Each WRA member participates at varying percentages in each project phase based on the member's respective benefit. The County's interest at June 30, 2002 is approximately 1.42 percent. More than 60 percent of the total program cost of \$225,000,000 was funded by state and federal grants. The County's share of the project has been funded through a combination of general obligation bonds, sewer revenue bonds, and several financing agreements with the WRA based on specific construction phases of the project.

Through a separate Chapter 28E agreement, the County's participating share in the WRA was transferred in its entirety to the Greenfield Plaza Hills of Coventry Sanitary Sewer District and the Lakewood Benefited Sanitary Sewer District (City of Norwalk), giving these Districts a .60 percent and .82 percent share, respectively.

The WRA system is operated on a cost reimbursement basis whereby participating communities share in the costs of operations as set forth in the WRA Agreements. Services are billed to the members (Greenfield Plaza hills of Coventry Sanitary Sewer District and Lakewood Benefited Sanitary District (City of Norwalk)), and contract payments are made by the members directly to the WRA for operations and maintenance.

Selected information of the WRA as of and for the year ended June 30, 2002 is as follows:

| | | |
|------------------------|----|-------------|
| Results of operations: | | |
| Operating revenues | \$ | 8,345,653 |
| Operating loss | | (5,928,755) |
| Non-operating income | | 1,025,556 |
| Capital contributions | | 8,984,293 |
| Net income | | 4,081,094 |
| Financial position: | | |
| Total assets | | 277,996,464 |
| Total liabilities | | 7,340,194 |
| Retained earnings | | 270,656,270 |

The financial statements for the Wastewater Reclamation Authority (WRA) can be obtained from the operating agency, the City of Des Moines.

(10) Jointly Governed Organizations

Warren County participates in the Child Support Recovery program, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2002:

Additions:

Contributions from governmental units:

Iowa Department of Human Services \$ 638,751

Deductions:

| | | |
|----------------------------------|------------|---------|
| Salaries | \$ 472,247 | |
| Benefits | 165,363 | |
| Office supplies | 182 | |
| Travel | 342 | |
| Office equipment | 468 | |
| Legal and court-related services | 709 | 639,311 |

Net (560)

Balance beginning of year 72,362

Balance end of year \$ 71,802

(11) Pending Litigation

The County is a defendant in a lawsuit seeking an unspecified amount of damages. The probability and amount of loss, if any, is undeterminable.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not exceed the budget at the Service Area level and appropriations by department. During the year ended June 30, 2002, expenditures in the Court Services Service Area exceeded the amount budgeted prior to amendment. Expenditures in certain departments exceeded amounts appropriated.

(13) Prospective Accounting Change

The governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments; Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2003. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the financial activities.

Warren County

Supplemental Information

Warren County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Property and other County tax:

| | | |
|------------------------------------|--------------|--------------|
| Property tax | \$ 4,031,224 | |
| Utility tax replacement excise tax | 155,813 | |
| Other | <u>9,439</u> | \$ 4,196,476 |

| | | |
|--------------------------------------|--|---------|
| Interest and penalty on property tax | | 113,333 |
|--------------------------------------|--|---------|

Intergovernmental:

State shared revenues:

| | |
|---------------|---------------|
| Franchise tax | 15,002 |
| Other | <u>2,925</u> |
| | <u>17,927</u> |

State grants and reimbursements including

indirect federal funding:

| | |
|--|------------------|
| Homemaker health grant | 71,696 |
| Public health nursing grant | 40,857 |
| Social services administrative reimbursement | 131,430 |
| Substance abuse grant | 10,000 |
| Drug enforcement grant | 213,517 |
| Juvenile justice | 6,343 |
| Violence against women formula grants | 31,170 |
| Empowerment board | 70,092 |
| Social worker case aide | 87,917 |
| Trail grant | 1,009,064 |
| Other | <u>109,801</u> |
| | <u>1,781,887</u> |

State tax replacements:

| | |
|-------------------|----------------|
| State tax credits | 245,645 |
| State allocation | <u>100,127</u> |
| | <u>345,772</u> |

Direct federal grants and entitlements:

| | |
|-----------------------|----------------|
| Medicare and medicaid | 270,515 |
| Other | <u>21,579</u> |
| | <u>292,094</u> |

Contributions and reimbursements from

other governmental units:

| | |
|--------------------------|----------------|
| Contract law enforcement | 125,405 |
| Election reimbursements | 12,717 |
| Other | <u>252,894</u> |
| | <u>391,016</u> |

| | | |
|---------------------------|--------------|-----------|
| Payments in lieu of taxes | <u>6,277</u> | 2,834,973 |
|---------------------------|--------------|-----------|

Warren County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

| | | |
|---|----------------|---------------------|
| Revenues (continued): | | |
| Licenses and permits | | 87,716 |
| Charges for service: | | |
| Office fees and collections | 425,758 | |
| Auto registration, use tax, drivers license and mailing | 303,615 | |
| Other | <u>248,994</u> | 978,367 |
| Use of money and property: | | |
| Interest on investments | 261,404 | |
| Other | <u>13,404</u> | 274,808 |
| Fines, forfeitures and defaults | | 12,657 |
| Miscellaneous | | <u>171,091</u> |
| Total revenues | | <u>8,669,421</u> |
| Expenditures: | | |
| Operating: | | |
| Public safety | | 2,945,551 |
| Court services | | 184,506 |
| Physical health and education | | 706,480 |
| Social services | | 1,011,798 |
| County environment | | 517,883 |
| State and local government services | | 493,785 |
| Interprogram services | | 1,576,445 |
| Debt service | | 82,030 |
| Capital projects | | <u>989,278</u> |
| Total expenditures | | <u>8,507,756</u> |
| Excess of revenues over expenditures | | <u>161,665</u> |
| Other financing sources (uses): | | |
| Sale of fixed assets | | 6,575 |
| Operating transfers out: | | |
| Special Revenue: | | |
| Secondary Roads | | <u>(147,038)</u> |
| Total other financing sources (uses) | | <u>(140,463)</u> |
| Excess of revenues and other financing sources over expenditures and other financing uses | | 21,202 |
| Fund balance beginning of year | | 2,754,475 |
| Increase (decrease) in reserve for: | | |
| Inventories | | 543 |
| Prepaid insurance | | <u>(28,666)</u> |
| Fund balance end of year | | <u>\$ 2,747,554</u> |

See accompanying independent auditor's report.

Warren County

Warren County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Public Safety Service Area:

Law enforcement:

| | | |
|-------------------------------|------------------|--|
| Uniformed patrol services | \$ 936,369 | |
| Investigations | 200,117 | |
| Law enforcement communication | 337,555 | |
| Adult correctional services | 585,810 | |
| Administration | 260,559 | |
| | <u>2,320,410</u> | |

Legal services:

| | | |
|----------------------|----------------|--|
| Criminal prosecution | 524,762 | |
| Medical examinations | 39,691 | |
| | <u>564,453</u> | |

Emergency services:

| | | |
|----------------------|---------------|--------------|
| Emergency management | <u>60,688</u> | \$ 2,945,551 |
|----------------------|---------------|--------------|

Court Services Service Area:

Assistance to district court system:

| | | |
|-------------------------------|---------------|--|
| Research and other assistance | <u>16,072</u> | |
|-------------------------------|---------------|--|

Court proceedings:

| | | |
|-------------------------|----------------|--|
| Juries and witnesses | 20,796 | |
| Detention services | 131,132 | |
| Court costs | 7,946 | |
| Service of civil papers | 1,034 | |
| | <u>160,908</u> | |

Juvenile justice administration:

| | | |
|----------------------------------|--------------|---------|
| Juvenile representation services | <u>7,526</u> | 184,506 |
|----------------------------------|--------------|---------|

Physical Health and Education Service Area:

Physical health services:

| | | |
|-----------------------|----------------|--|
| Sanitation | 155,793 | |
| Health administration | 549,922 | |
| | <u>705,715</u> | |

Educational services:

| | | |
|-----------------------|------------|---------|
| Historic preservation | <u>765</u> | 706,480 |
|-----------------------|------------|---------|

Schedule 2

Warren County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Social Services Service Area:

Services to the poor:

| | |
|--------------------------|----------------|
| Administration | 60,353 |
| General welfare services | 90,753 |
| | <u>151,106</u> |

Services to military veterans:

| | |
|------------------------------|---------------|
| Administration | 31,441 |
| General services to veterans | 32,595 |
| | <u>64,036</u> |

Children's and family services:

| | |
|----------------------------|---------------|
| Family protective services | <u>37,623</u> |
|----------------------------|---------------|

Services to other adults:

| | |
|-------------------------|----------------|
| Services to the elderly | 550,905 |
| Other social services | 101,277 |
| | <u>652,182</u> |

Chemical dependency:

| | |
|---------------------|----------------|
| Treatment services | 28,283 |
| Preventive services | 78,568 |
| | <u>106,851</u> |

1,011,798

County Environment Service Area:

Conservation and recreation services:

| | |
|----------------------------|----------------|
| Administration | 271,975 |
| Maintenance and operations | 81,788 |
| | <u>353,763</u> |

Animal control:

| | |
|----------------|---------------|
| Animal shelter | <u>38,246</u> |
|----------------|---------------|

County development:

| | |
|--------------------------------|----------------|
| Land use and building controls | 80,274 |
| Economic development | 45,600 |
| | <u>125,874</u> |

517,883

Warren County
General Fund
Statement of Expenditures
Year ended June 30, 2002

State and Local Government Services Service Area:

Representation services:

| | | |
|--------------------------|---------------|--|
| Elections administration | 62,564 | |
| Local elections | 12,744 | |
| | <u>75,308</u> | |

State administrative services:

| | | |
|---|----------------|---------|
| Motor vehicle registrations and licensing | 240,358 | |
| Recording of public documents | 178,119 | |
| | <u>418,477</u> | 493,785 |

Interprogram Services Service Area:

Policy and administration:

| | | |
|------------------------------------|----------------|--|
| General County management | 186,381 | |
| Administrative management services | 319,016 | |
| Treasury management services | 148,984 | |
| Other policy and administration | 116,365 | |
| | <u>770,746</u> | |

Central services:

| | | |
|--------------------------|----------------|--|
| General services | 377,742 | |
| Data processing services | 184,850 | |
| | <u>562,592</u> | |

Risk management services:

| | | |
|------------------------------|----------------|-----------|
| Tort liability | 230,152 | |
| Safety of workplace | 1,949 | |
| Fidelity of public officials | 1,855 | |
| Unemployment compensation | 9,151 | |
| | <u>243,107</u> | 1,576,445 |

Debt Service Service Area:

| | | |
|-----------------------------|--------|--------|
| Notes redeemed | 45,000 | |
| Interest and fiscal charges | 37,030 | 82,030 |

Capital Projects Service Area:

| | | |
|-------------------------------|---------|---------|
| Conservation land acquisition | 827,583 | |
| Other capital projects | 161,695 | 989,278 |

| | | |
|-------|--|---------------------|
| Total | | <u>\$ 8,507,756</u> |
|-------|--|---------------------|

See accompanying independent auditor's report.

Warren County
Special Revenue Funds
Combining Balance Sheet
June 30, 2002

| | Rural Services | Secondary Roads |
|--|---------------------|--------------------|
| Assets | | |
| Cash and pooled investments | \$ 341,656 | 965,927 |
| Receivables: | | |
| Property tax: | | |
| Delinquent | 16,013 | - |
| Succeeding year | 1,674,000 | - |
| Accounts | - | - |
| Accrued interest | - | - |
| Due from other funds | 297 | 13,101 |
| Due from other governments | 228 | 248,677 |
| Inventories | - | 27,219 |
| Prepaid insurance | - | 76,892 |
| Total assets | \$ 2,032,194 | 1,331,816 |
| Liabilities and Fund Equity | | |
| Liabilities: | | |
| Accounts payable | \$ 944 | 63,552 |
| Salaries and benefits payable | 5,025 | 27,326 |
| Due to other funds | - | 4,049 |
| Due to other governments | - | 2,614 |
| Deferred revenue: | | |
| Succeeding year property tax | 1,674,000 | - |
| Other | 15,418 | 10,614 |
| Compensated absences | 4,716 | 30,138 |
| Total liabilities | 1,700,103 | 138,293 |
| Fund equity: | | |
| Fund balances: | | |
| Reserved for: | | |
| Inventories | - | 27,219 |
| Prepaid insurance | - | 76,892 |
| Unreserved | 332,091 | 1,089,412 |
| Total fund equity | 332,091 | 1,193,523 |
| Total liabilities and fund equity | \$ 2,032,194 | 1,331,816 |

See accompanying independent auditor's report.

| Resource Enhance- ment and Protection | County Recorder's Records Management | Mental Health | Total |
|--|---|------------------|-----------|
| 52,318 | 21,010 | 922,733 | 2,303,644 |
| - | - | 4,615 | 20,628 |
| - | - | 932,000 | 2,606,000 |
| - | - | 584 | 584 |
| - | 52 | - | 52 |
| 1,518 | 1,071 | - | 15,987 |
| - | - | 406 | 249,311 |
| - | - | - | 27,219 |
| - | - | - | 76,892 |
| 53,836 | 22,133 | 1,860,338 | 5,300,317 |
| - | - | 108,238 | 172,734 |
| - | - | 1,320 | 33,671 |
| - | - | - | 4,049 |
| - | - | 271,370 | 273,984 |
| - | - | 932,000 | 2,606,000 |
| - | - | 4,414 | 30,446 |
| - | - | 406 | 35,260 |
| - | - | 1,317,748 | 3,156,144 |
| - | - | - | 27,219 |
| - | - | - | 76,892 |
| 53,836 | 22,133 | 542,590 | 2,040,062 |
| 53,836 | 22,133 | 542,590 | 2,144,173 |
| 53,836 | 22,133 | 1,860,338 | 5,300,317 |

Warren County
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year ended June 30, 2002

| | Rural Services | Secondary Roads |
|--|-------------------|--------------------|
| Revenues: | | |
| Property and other County tax: | | |
| Property tax | \$ 1,544,013 | - |
| Utility tax replacement excise tax | 83,590 | - |
| Other | 1,548 | - |
| | <u>1,629,151</u> | <u>-</u> |
| Intergovernmental: | | |
| State shared revenues: | | |
| Road use tax | - | 2,758,611 |
| State grants and reimbursements including indirect federal funding: | | |
| Social services block grant | - | - |
| Other | - | - |
| | <u>-</u> | <u>-</u> |
| State tax replacements: | | |
| State tax credits | 96,534 | - |
| State allocation | 85,294 | - |
| Mental health property tax relief | - | - |
| | <u>181,828</u> | <u>-</u> |
| Contributions and reimbursements from other governmental units | - | 40,268 |
| | <u>181,828</u> | <u>2,798,879</u> |
| Licenses and permits | - | 385 |
| Charges for service | - | - |
| Use of money and property | - | - |
| Miscellaneous | 3,694 | 118,202 |
| Total revenues | <u>1,814,673</u> | <u>2,917,466</u> |

| Resource Enhance- ment and Protection | County Recorder's Records Management | Mental Health | Total |
|--|---|------------------|-----------|
| - | - | 663,014 | 2,207,027 |
| - | - | 25,625 | 109,215 |
| - | - | 1,552 | 3,100 |
| - | - | 690,191 | 2,319,342 |
| - | - | - | 2,758,611 |
| - | - | 109,509 | 109,509 |
| 15,186 | - | - | 15,186 |
| 15,186 | - | 109,509 | 124,695 |
| - | - | 40,398 | 136,932 |
| - | - | - | 85,294 |
| - | - | 989,610 | 989,610 |
| - | - | 1,030,008 | 1,211,836 |
| - | - | - | 40,268 |
| 15,186 | - | 1,139,517 | 4,135,410 |
| - | - | - | 385 |
| - | 13,750 | - | 13,750 |
| 1,518 | 900 | - | 2,418 |
| - | - | 53,370 | 175,266 |
| 16,704 | 14,650 | 1,883,078 | 6,646,571 |

Warren County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

| | <u>Rural Services</u> | <u>Secondary Roads</u> |
|---|---------------------------|----------------------------|
| Expenditures: | | |
| Operating: | | |
| Physical Health and Education Service Area: | | |
| Educational services: | | |
| Libraries | 69,454 | - |
| Mental Health Service Area: | | |
| Persons with mental health problems - mental illness: | | |
| Information and education | - | - |
| General administration | - | - |
| Treatment services | - | - |
| Institutional, hospital, and commitment services | - | - |
| | <u>-</u> | <u>-</u> |
| Persons with chronic mental illness: | | |
| Coordination services | - | - |
| Personal and environmental support | - | - |
| Treatment services | - | - |
| Vocational and day services | - | - |
| Licensed or certified living arrangements | - | - |
| Institutional, hospital, and commitment services | - | - |
| | <u>-</u> | <u>-</u> |
| Persons with mental retardation: | | |
| Coordination services | - | - |
| Personal and environmental support | - | - |
| Vocational and day services | - | - |
| Licensed or certified living arrangements | - | - |
| Institutional, hospital, and commitment services | - | - |
| | <u>-</u> | <u>-</u> |
| Persons with other developmental disabilities: | | |
| Coordination services | - | - |
| Vocational and day services | - | - |
| Licensed or certified living arrangements | - | - |
| | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> |

| Resource Enhance- ment and Protection | County Recorder's Records Management | Mental Health | Total |
|--|---|------------------|-----------|
| - | - | - | 69,454 |
| - | - | 7,250 | 7,250 |
| - | - | 87,971 | 87,971 |
| - | - | 128,203 | 128,203 |
| - | - | 12,252 | 12,252 |
| - | - | 235,676 | 235,676 |
| - | - | 2,627 | 2,627 |
| - | - | 75,977 | 75,977 |
| - | - | 28,186 | 28,186 |
| - | - | 26,796 | 26,796 |
| - | - | 270,654 | 270,654 |
| - | - | 199,288 | 199,288 |
| - | - | 603,528 | 603,528 |
| - | - | 16,146 | 16,146 |
| - | - | 19,924 | 19,924 |
| - | - | 324,486 | 324,486 |
| - | - | 1,140,488 | 1,140,488 |
| - | - | 58,875 | 58,875 |
| - | - | 1,559,919 | 1,559,919 |
| - | - | 4,124 | 4,124 |
| - | - | 39,317 | 39,317 |
| - | - | 60,843 | 60,843 |
| - | - | 104,284 | 104,284 |
| - | - | 2,503,407 | 2,503,407 |

Warren County

Special Revenue Funds

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Year ended June 30, 2002

| | Rural Services | Secondary Roads |
|---|-------------------|--------------------|
| Expenditures (continued): | | |
| Operating: | | |
| County Environment Service Area: | | |
| Environmental quality: | | |
| Weed eradication | 9,553 | - |
| Solid waste disposal | 150 | - |
| | 9,703 | - |
| County development: | | |
| Land use and building controls | 104,075 | - |
| | 113,778 | - |
| Roads and Transportation Service Area: | | |
| Secondary roads administration and engineering: | | |
| Administration | 17,581 | 180,048 |
| Engineering | 27,037 | 319,016 |
| | 44,618 | 499,064 |
| Roadway maintenance: | | |
| Bridges and culverts | 9,521 | 210,926 |
| Roads | 76,227 | 2,010,138 |
| Snow and ice control | 6,893 | 122,178 |
| Traffic controls | 7,337 | 135,129 |
| Road clearing | 36,889 | 98,240 |
| | 136,867 | 2,576,611 |
| General roadway: | | |
| Equipment | - | 395,094 |
| Equipment operations | 30,773 | 692,741 |
| Tools, materials, and supplies | - | 54,995 |
| Real estate and buildings | 1,123 | 37,156 |
| | 31,896 | 1,179,986 |
| | 213,381 | 4,255,661 |
| State and Local Government Services Service Area: | | |
| Representation services: | | |
| Township officials | 1,206 | - |
| State administrative services: | | |
| Recording of public documents | - | - |
| | 1,206 | - |

| Resource Enhance- ment and Protection | County Recorder's Records Management | Mental Health | Total |
|--|---|------------------|-----------|
| - | - | - | 9,553 |
| - | - | - | 150 |
| - | - | - | 9,703 |
| - | - | - | 104,075 |
| - | - | - | 113,778 |
| - | - | - | 197,629 |
| - | - | - | 346,053 |
| - | - | - | 543,682 |
| - | - | - | 220,447 |
| - | - | - | 2,086,365 |
| - | - | - | 129,071 |
| - | - | - | 142,466 |
| - | - | - | 135,129 |
| - | - | - | 2,713,478 |
| - | - | - | 395,094 |
| - | - | - | 723,514 |
| - | - | - | 54,995 |
| - | - | - | 38,279 |
| - | - | - | 1,211,882 |
| - | - | - | 4,469,042 |
| - | - | - | 1,206 |
| - | 13,408 | - | 13,408 |
| - | 13,408 | - | 14,614 |

Warren County
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year ended June 30, 2002

| | Rural Services | Secondary Roads |
|---|--------------------|--------------------|
| Expenditures (continued): | | |
| Capital Projects Service Area: | | |
| Roadway construction | 1,408 | 579,245 |
| Conservation land acquisition | - | - |
| | <u>1,408</u> | <u>579,245</u> |
| Total expenditures | <u>399,227</u> | <u>4,834,906</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,415,446</u> | <u>(1,917,440)</u> |
| Other financing sources (uses): | | |
| Operating transfers in (out): | | |
| General | - | 147,038 |
| Special Revenue: | | |
| Rural Services | - | 1,382,299 |
| Secondary Roads | (1,382,299) | - |
| Total other financing sources (uses) | <u>(1,382,299)</u> | <u>1,529,337</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 33,147 | (388,103) |
| Fund balances beginning of year | 298,944 | 1,555,160 |
| Increase in reserve for: | | |
| Inventories | - | 6,326 |
| Prepaid insurance | - | 20,140 |
| | <u>-</u> | <u>20,140</u> |
| Fund balances end of year | <u>\$ 332,091</u> | <u>1,193,523</u> |

See accompanying independent auditor's report.

| Resource Enhance- ment and Protection | County Recorder's Records Management | Mental Health | Total |
|--|---|------------------|-------------|
| - | - | - | 580,653 |
| 4,570 | - | - | 4,570 |
| 4,570 | - | - | 585,223 |
| 4,570 | 13,408 | 2,503,407 | 7,755,518 |
| 12,134 | 1,242 | (620,329) | (1,108,947) |
| - | - | - | 147,038 |
| - | - | - | 1,382,299 |
| - | - | - | (1,382,299) |
| - | - | - | 147,038 |
| 12,134 | 1,242 | (620,329) | (961,909) |
| 41,702 | 20,891 | 1,162,919 | 3,079,616 |
| - | - | - | 6,326 |
| - | - | - | 20,140 |
| 53,836 | 22,133 | 542,590 | 2,144,173 |

Schedule 5

Warren County

Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Property and other County tax:

| | | |
|------------------------------------|------------|------------|
| Property tax | \$ 396,888 | |
| Utility tax replacement excise tax | 15,185 | |
| Other | <u>920</u> | \$ 412,993 |

Intergovernmental:

State tax replacements:

| | | |
|-------------------|--|--------|
| State tax credits | | 24,031 |
|-------------------|--|--------|

Use of money and property:

| | | |
|-------------------------|--|----------------|
| Interest on investments | | <u>6,342</u> |
| Total revenues | | <u>443,366</u> |

Expenditures:

Debt Service Service Area:

| | | |
|-----------------------------|----------------|----------------|
| Bonds redeemed | 295,000 | |
| Interest and fiscal charges | <u>144,100</u> | <u>439,100</u> |

| | | |
|--------------------------------------|--|-------|
| Excess of revenues over expenditures | | 4,266 |
|--------------------------------------|--|-------|

| | | |
|--------------------------------|--|---------------|
| Fund balance beginning of year | | <u>87,866</u> |
|--------------------------------|--|---------------|

| | | |
|--------------------------|--|-------------------------|
| Fund balance end of year | | <u><u>\$ 92,132</u></u> |
|--------------------------|--|-------------------------|

See accompanying independent auditor's report.

Warren County

Warren County
Agency Funds
Combining Balance Sheet
June 30, 2002

| | <u>County Offices</u> | | Agricultural | | |
|-------------------------------|-----------------------|---------------|---------------|----------------|--------------|
| | County | County | Extension | County | Permit |
| | Recorder | Sheriff | Education | Assessor | Deposits |
| Assets | | | | | |
| Cash and pooled investments: | | | | | |
| County Treasurer | \$ - | - | 1,114 | 144,648 | 2,000 |
| Other County officials | 47,307 | 46,213 | - | - | - |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | - | - | 567 | 2,755 | - |
| Succeeding year | - | - | 86,000 | 531,000 | - |
| Accounts | 3,271 | - | - | - | - |
| Special assessments | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Due from other governments | - | - | - | - | - |
| Total assets | \$ 50,578 | 46,213 | 87,681 | 678,403 | 2,000 |
| Liabilities | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | - | - | 111 | - |
| Salaries and benefits payable | - | - | - | 6,109 | - |
| Due to other funds | 30,437 | 11,591 | - | 115 | - |
| Due to other governments | 20,141 | - | 87,681 | 661,376 | 2,000 |
| Trusts payable | - | 34,622 | - | - | - |
| Compensated absences | - | - | - | 10,692 | - |
| Total liabilities | \$ 50,578 | 46,213 | 87,681 | 678,403 | 2,000 |

| Lakewood Benefited Lake | Benefited Fire Districts | Greenfield Plaza Benefited Lights | Hills of Coventry Lights | Schools | Community Colleges | Corpor- ations | Town- ships |
|-------------------------------|--------------------------------|--|--------------------------------|------------|-----------------------|-------------------|----------------|
| 784 | 567 | 124 | 13 | 247,588 | 7,432 | 73,319 | 5,338 |
| - | - | - | - | - | - | - | - |
| - | 615 | - | - | 123,430 | 3,786 | 25,706 | 3,153 |
| 78,000 | 44,000 | 11,000 | 3,000 | 20,321,000 | 590,000 | 6,847,000 | 392,000 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 78,784 | 45,182 | 11,124 | 3,013 | 20,692,018 | 601,218 | 6,946,025 | 400,491 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 78,784 | 45,182 | 11,124 | 3,013 | 20,692,018 | 601,218 | 6,946,025 | 400,491 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 78,784 | 45,182 | 11,124 | 3,013 | 20,692,018 | 601,218 | 6,946,025 | 400,491 |

Warren County
Agency Funds
Combining Balance Sheet
June 30, 2002

| | Auto License and Use Tax | Brucellosis and Tuberculosis Eradication | Tax Sale Redemp- tion | Emergency Management Services |
|-------------------------------|-----------------------------------|---|--------------------------------|-------------------------------------|
| Assets | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | 746,019 | 68 | 30,997 | 86,451 |
| Other County officials | - | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | 35 | - | - |
| Succeeding year | - | 4,000 | - | - |
| Accounts | - | - | - | 3,094 |
| Special assessments | - | - | - | - |
| Due from other funds | - | - | - | - |
| Due from other governments | - | - | - | - |
| Total assets | 746,019 | 4,103 | 30,997 | 89,545 |
| Liabilities | | | | |
| Liabilities: | | | | |
| Accounts payable | - | - | - | 39 |
| Salaries and benefits payable | - | - | - | 771 |
| Due to other funds | 24,057 | - | - | 39 |
| Due to other governments | 721,962 | 4,103 | - | 87,060 |
| Trusts payable | - | - | 30,997 | - |
| Compensated absences | - | - | - | 1,636 |
| Total liabilities | 746,019 | 4,103 | 30,997 | 89,545 |

See accompanying independent auditor's report.

| City Special Assess- ments | Grant Pass- through | Child Support Recovery | E911 Service Board | Advanced Taxes | Condem- nations | Total |
|-------------------------------------|---------------------------|------------------------------|--------------------------|-------------------|--------------------|------------|
| 57,741 | - | - | 304,687 | 4,946 | 12,258 | 1,726,094 |
| - | - | - | - | - | - | 93,520 |
| - | - | - | - | - | - | 160,047 |
| - | - | - | - | - | - | 28,907,000 |
| - | - | - | 90,362 | - | - | 96,727 |
| 723,000 | - | - | - | - | - | 723,000 |
| - | - | - | 9,204 | - | - | 9,204 |
| - | 661 | 71,802 | - | - | - | 72,463 |
| 780,741 | 661 | 71,802 | 404,253 | 4,946 | 12,258 | 31,788,055 |
| - | 661 | 110 | 3,596 | - | - | 4,517 |
| - | - | 9,688 | 771 | - | - | 17,339 |
| - | - | - | 134 | - | - | 66,373 |
| 780,741 | - | 62,004 | 398,088 | - | - | 31,603,011 |
| - | - | - | - | 4,946 | 12,258 | 82,823 |
| - | - | - | 1,664 | - | - | 13,992 |
| 780,741 | 661 | 71,802 | 404,253 | 4,946 | 12,258 | 31,788,055 |

Warren County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

| | County Offices | | Agricultural | |
|--|----------------|---------|--------------|----------|
| | County | County | Extension | County |
| | Recorder | Sheriff | Education | Assessor |
| Assets and Liabilities | | | | |
| Balances beginning of year | \$ 64,332 | 36,302 | 87,165 | 632,653 |
| Additions: | | | | |
| Property and other County tax | - | - | 86,056 | 531,648 |
| E911 surcharge | - | - | - | - |
| State tax credits | - | - | 4,965 | 24,115 |
| Office fees and collections | 592,839 | 80,270 | - | - |
| Auto licenses, use tax, drivers license and postage | - | - | - | - |
| Assessments | - | - | - | - |
| Trusts | - | 811,477 | - | - |
| Miscellaneous | - | - | - | 5,628 |
| Total additions | 592,839 | 891,747 | 91,021 | 561,391 |
| Deductions: | | | | |
| Agency Remittances: | | | | |
| To other funds | 370,296 | 75,967 | - | - |
| To other governments | 236,297 | 1,116 | 90,505 | 515,641 |
| Trusts paid out | - | 804,753 | - | - |
| Total deductions | 606,593 | 881,836 | 90,505 | 515,641 |
| Balances end of year | \$ 50,578 | 46,213 | 87,681 | 678,403 |

| Permit Deposits | Lakewood Benefited Lake | Benefited Fire Districts | Greenfield Plaza Benefited Lights | Hills of Coventry Lights | Schools | Community Colleges | Corpora- tions |
|--------------------|-------------------------------|--------------------------------|--|--------------------------------|------------|-----------------------|-------------------|
| 1,000 | 77,158 | 43,688 | 12,134 | 3,014 | 19,493,352 | 576,710 | 6,277,056 |
| - | 79,697 | 45,325 | 10,244 | 2,549 | 20,365,196 | 591,026 | 6,804,222 |
| - | - | - | - | - | - | - | - |
| - | 4,971 | 2,871 | 1,049 | 218 | 1,108,385 | 33,137 | 343,317 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 1,000 | 130 | 108 | - | - | - | - | 40,029 |
| 1,000 | 84,798 | 48,304 | 11,293 | 2,767 | 21,473,581 | 624,163 | 7,187,568 |
| - | - | - | - | - | - | - | - |
| - | 83,172 | 46,810 | 12,303 | 2,768 | 20,274,915 | 599,655 | 6,518,599 |
| - | - | - | - | - | - | - | - |
| - | 83,172 | 46,810 | 12,303 | 2,768 | 20,274,915 | 599,655 | 6,518,599 |
| 2,000 | 78,784 | 45,182 | 11,124 | 3,013 | 20,692,018 | 601,218 | 6,946,025 |

Warren County
Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year ended June 30, 2002

| | Town- ships | Auto License and Use Tax | Brucellosis and Tuberculosis Eradication | Tax Sale Redemp- tion |
|--|----------------|-----------------------------------|---|--------------------------------|
| Assets and Liabilities | | | | |
| Balances beginning of year | 369,940 | 688,979 | 5,083 | 58,349 |
| Additions: | | | | |
| Property and other County tax | 400,960 | - | 4,217 | - |
| E911 surcharge | - | - | - | - |
| State tax credits | 21,516 | - | 304 | - |
| Office fees and collections | - | - | - | - |
| Auto licenses, use tax, drivers license and postage | - | 9,254,592 | - | - |
| Assessments | - | - | - | - |
| Trusts | - | - | - | 548,630 |
| Miscellaneous | - | - | - | - |
| Total additions | 422,476 | 9,254,592 | 4,521 | 548,630 |
| Deductions: | | | | |
| Agency Remittances: | | | | |
| To other funds | - | 302,402 | - | - |
| To other governments | 391,925 | 8,895,150 | 5,501 | - |
| Trusts paid out | - | - | - | 575,982 |
| Total deductions | 391,925 | 9,197,552 | 5,501 | 575,982 |
| Balances end of year | 400,491 | 746,019 | 4,103 | 30,997 |

See accompanying independent auditor's report.

| Emergency Management Services | City Special Assess- ments | Grant Pass- through | Child Support Recovery | E911 Service Board | Advanced Taxes | Condem- nations | Total |
|-------------------------------------|-------------------------------------|---------------------------|------------------------------|--------------------------|-------------------|--------------------|------------|
| 81,470 | 408,940 | 5,250 | 72,362 | 377,401 | 2,783 | 12,683 | 29,387,804 |
| - | - | - | - | - | - | - | 28,921,140 |
| - | - | - | - | 356,194 | - | - | 356,194 |
| - | - | - | - | - | - | - | 1,544,848 |
| - | - | - | 638,751 | - | - | - | 1,311,860 |
| - | - | - | - | - | - | - | 9,254,592 |
| - | 636,765 | - | - | - | - | - | 636,765 |
| - | - | - | - | - | 2,163 | - | 1,362,270 |
| 77,403 | 180 | 24,312 | - | 111,894 | - | - | 260,684 |
| 77,403 | 636,945 | 24,312 | 638,751 | 468,088 | 2,163 | - | 43,648,353 |
| - | - | - | - | - | - | - | 748,665 |
| 69,328 | 265,144 | 28,901 | 639,311 | 441,236 | - | - | 39,118,277 |
| - | - | - | - | - | - | 425 | 1,381,160 |
| 69,328 | 265,144 | 28,901 | 639,311 | 441,236 | - | 425 | 41,248,102 |
| 89,545 | 780,741 | 661 | 71,802 | 404,253 | 4,946 | 12,258 | 31,788,055 |

Schedule 8

Warren County

Comparison of Taxes and Intergovernmental Revenue

| | Years ended June 30, | | | |
|---|----------------------|-------------------|-------------------|-------------------|
| | 2002 | 2001 | 2000 | 1999 |
| Taxes: | | | | |
| Property and other County tax | \$ 6,635,139 | 6,364,481 | 6,751,879 | 6,663,393 |
| Utility tax replacement excise tax | 280,213 | 312,877 | - | - |
| Other | 13,459 | 14,133 | - | - |
| | <u>6,928,811</u> | <u>6,691,491</u> | <u>6,751,879</u> | <u>6,663,393</u> |
| Intergovernmental: | | | | |
| State shared revenues | 2,776,538 | 2,665,822 | 2,708,158 | 2,526,393 |
| State grants and reimbursements including indirect federal funding | 1,906,582 | 999,760 | 1,466,731 | 1,369,754 |
| State tax replacements | 1,581,639 | 1,865,891 | 1,943,734 | 1,818,761 |
| Direct federal grants and entitlements | 292,094 | 241,130 | 238,020 | 213,407 |
| Contributions and reimbursements from other governmental units | 431,284 | 539,305 | 361,755 | 306,900 |
| Payments in lieu of taxes | 6,277 | 4,384 | 4,335 | 4,194 |
| | <u>6,994,414</u> | <u>6,316,292</u> | <u>6,722,733</u> | <u>6,239,409</u> |
| Total | <u>\$ 13,923,225</u> | <u>13,007,783</u> | <u>13,474,612</u> | <u>12,902,802</u> |

See accompanying independent auditor's report.

Warren County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expendi- tures |
|--|----------------|-------------------------------------|------------------------------|
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Elder Affairs: | | | |
| Aging Resources of Central Iowa: | | | |
| Nutrition Program for the Elderly (Commodities) | 10.570 | FY-02 | \$ 26,675 |
| Nutrition Program for the Elderly (Cash) | 10.570 | FY-02 | 26,838 |
| | | | <u>53,513</u> |
| Iowa Department of Public Health: | | | |
| Marion County Public Health: | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | | <u>13,017</u> |
| Iowa Department of Human Services: | | | |
| Human Services Administration Reimbursements: | | | |
| State Administrative Matching Grants for Food Stamp Program | 10.561 | | <u>21,430</u> |
| U.S. Department of Justice: | | | |
| Iowa Department of Public Health: | | | |
| Tobacco Surveillance | 16.000 | | <u>2,200</u> |
| Iowa Department of Justice: | | | |
| Crime Victim Assistance | 16.575 | VA-01-42 | <u>26,000</u> |
| Governor's Office on Drug Control Policy: | | | |
| Byrne Formula Grant Program | 16.579 | 01A-0283 | <u>169,794</u> |
| Violence Against Women Formula Grants | 16.588 | 01V-0243 | <u>31,170</u> |
| U.S. Department of Transportation: | | | |
| Iowa Department of Public Safety: | | | |
| Safety Incentive Grants for Use of Seatbelts | 20.604 | 01-157 | <u>6,972</u> |
| Iowa Department of Public Defense: | | | |
| Emergency Management Division: | | | |
| Emergency Management Performance Grants | 83.552 | | <u>9,811</u> |
| U.S. Environmental Protection Agency: | | | |
| Iowa Department of Public Health: | | | |
| State Indoor Radon Grants | 66.032 | 5889RC02 | <u>1,108</u> |
| U.S. Department of Education: | | | |
| Iowa Department of Public Health: | | | |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | 5882LE02 | <u>16,517</u> |

Schedule 9

Warren County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expendi- tures |
|--|----------------|-------------------------------------|------------------------------|
| Indirect (continued): | | | |
| U.S. Department of Health and Human Services: | | | |
| Iowa Department of Elder Affairs: | | | |
| Aging Resources of Central Iowa: | | | |
| Special Programs for the Aging - Title III, Part - B Grants for Supportive Services and Senior Centers | 93.044 | | 10,000 |
| Special Programs for the Aging - Title III, Part C - Nutrition Services | 93.045 | | 55,530 |
| Special Programs for the Aging - Title III, Part D - In-Home Services for Frail Older Individuals | 93.046 | | 3,886 |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| Temporary Assistance for Needy Families | 93.558 | | 33,393 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | | 149 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | | 4,483 |
| Foster Care - Title IV-E | 93.658 | | 11,206 |
| Adoption Assistance | 93.659 | | 3,811 |
| Social Services Block Grant | 93.667 | | 109,509 |
| Social Services Block Grant | 93.667 | | 21,977 |
| | | | 131,486 |
| Medical Assistance Program | 93.778 | | 33,939 |
| Iowa Department of Public Health: | | | |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | 5882BT68 | 939 |
| Marion County Public Health: | | | |
| Maternal and Child Health Services Block Grant to the States | 93.994 | | 6,036 |
| Clarke County Public Health: | | | |
| Immunization Grants | 93.268 | | 10,530 |
| Total | | | \$656,920 |

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Warren County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation, of the general purpose financial statements.

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Officials of Warren County:

We have audited the general purpose financial statements of Warren County, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated March 27, 2003. Our report expressed a qualified opinion on the general purpose financial statements due to the omission of the general fixed assets account group. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Warren County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items IV-B-02, IV-E-02, IV-G-02, IV-J-02 and IV-K-02.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Warren County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-02 is a material weakness. Prior year reportable conditions have been resolved except for items II-A-02, II-B-02, II-C-02, II-D-02 and II-E-02.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Warren County and other parties to whom Warren County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Warren County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

March 27, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance**

Warren County



OFFICE OF AUDITOR OF STATE STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance

To the Officials of Warren County:

Compliance

We have audited the compliance of Warren County, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Warren County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Warren County's management. Our responsibility is to express an opinion on Warren County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Warren County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Warren County's compliance with those requirements.

In our opinion Warren County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Warren County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Warren County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Warren County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item III-A-02 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Warren County and other parties to whom Warren County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

March 27, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Warren County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part I: Summary of the Independent Auditor's Results:

- (a) A qualified opinion was issued on the financial statements due to the omission of the general fixed assets account group.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over one of the major programs was disclosed by the audit of the financial statements. No material weaknesses in internal control over compliance were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no instances of non-compliance which would be required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 16.579 – Byrne Formula Grant Program
 - CFDA Number 93.045 – Special Programs for the Aging – Title III, Part C – Nutrition Services
 - CFDA Number 93.667 – Social Services Block Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Warren County did not qualify as a low-risk auditee.

Warren County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-02 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. Generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

| | Applicable Offices |
|---|-----------------------|
| (1) Receipts - opening and listing mail receipts, collecting, depositing, posting and daily reconciling. | Sheriff, Recorder |
| (2) Disbursements - processing of vouchers, check writing, signing, posting, reconciling and final approval. | Recorder |
| (3) Bank reconciliation is not prepared by someone who doesn't sign checks, handle or record cash. | Sheriff, Recorder |
| (4) Bank reconciliations should be reviewed periodically by an independent person for propriety and evidenced with signature. | Sheriff, Recorder |

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Responses:

County Recorder – I have read the evaluation of the Recorder's office by the State Auditor's Office. I will review the operating procedures once again and try to have several employees involved in opening the mail, collections and depositing and daily reconciling. We are currently using one person opening mail, a different person making up deposits and another reconciling at the end of the day. I will further implement one person writing checks and another signing those checks. I will have someone other than our staff review bank reconciliations and sign.

County Sheriff – We have addressed this with Kim doing bank reconciliations and Kelly doing deposits. We are going to inquire of County Auditor's Office personnel to perform independent reviews.

Conclusion – Responses accepted.

- II-B-02 Board of Supervisors – In certain instances, state grants awarded to the County are being recorded in an Agency Fund. As a result, the County's receipts and disbursements were understated by these amounts and they are not charged against the County budget.

Recommendation – All grants awarded to the County should flow through the County's operating funds.

Response – The grant pass-through fund will be closed and grants will be transferred to the appropriate funds.

Conclusion – Response accepted.

- II-C-02 Fixed Assets Records – A record of fixed assets is not maintained.

Recommendation – A complete record of fixed assets should be maintained and kept current to facilitate the proper insurance, maintenance and safeguarding of these assets. An inventory of all property and equipment should be taken at least once each year and compared to the fixed assets records. Also, identifying information should be promptly placed on the assets when received.

Response – With the implementation of GASB Statement No. 34, a fixed asset listing will be compiled during fiscal year 2003.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

II-D-02 County Sheriff – Book balances were not being reconciled to bank account balances and trust account listings. A trust listing was not prepared monthly.

The jail commissary bank account balances were not reconciled to sales and purchases records.

Separate bank accounts were maintained for the collections and expenditures of the D.A.R.E. program.

Recommendation – Book balances should be reconciled at the end of each month to bank account balances. Also, a list of trusts on hand should be prepared and reconciled to this balance monthly.

To improve financial accountability and control in the commissary, a journal should be prepared to reconcile cash on hand to sales.

All collections for the D.A.R.E. program should be remitted to the County Treasurer and all expenditures should be reflected in the County's accounting system, annual budget and financial reports.

Response – Required procedures have been reviewed and will be implemented. Jail commissary procedures have been addressed. We disagree with turning D.A.R.E. funds over to the County Treasurer, but will review with the Board of Supervisors.

Conclusion – Response accepted.

II-E-02 Fuel Station Deficit Balance – The Internal Service, Fuel Station Fund had a deficit unreserved retained earnings balance at June 30, 2002.

Recommendation – The County should continue to investigate alternatives to eliminate this deficit and return this fund to a sound financial position.

Response – We intend to increase our asking from the other entities in order to eliminate the deficit by the end of the current fiscal year.

Conclusion – Response accepted.

Warren County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 93.045: Special Programs for the Aging - Title III, Part C - Nutrition Services
Federal Award Year: 2002
U.S. Department of Health and Human Services
Passed through the Aging Resources of Central Iowa

III-A-02 Monthly Reports - The County was unable to support the revenue amounts submitted on the monthly reports for local contributions received. Also, the year-to-date amounts on the monthly reports were not an accurate summary of the monthly reports submitted.

Recommendation - The County should review these undocumented revenues with Aging Resources of Central Iowa.

Also, to improve financial accountability and control, a monthly reconciliation of Federal reports to the County's revenue records should be prepared. Any differences should be investigated and resolved in a timely manner.

Response and Corrective Action Plan - The County will immediately implement monthly reconciliations of reports submitted to Aging Resources.

Conclusion - Response accepted.

Warren County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-02 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.

IV-B-02 Certified Budget – Disbursements during the year ended June 30, 2002 exceeded the amount budgeted in the Court Services Service Area prior to amendment.

Disbursements in certain departments exceeded the amounts appropriated. Also, although the Board of Supervisors acted to increase certain other departmental appropriations by amendment, disbursements had exceeded the appropriations prior to approval. Also, in certain instances appropriation amendments were not effective since the required public hearings were not held. Chapter 331.434(6) of the Code of Iowa provides that decreases in appropriations in excess of \$5,000 or ten percent, whichever is greater, are not effective unless a public hearing on the decrease is held.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by decreasing or increasing the appropriation of another office or departments as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – In the future, we will closely monitor amounts budgeted for service areas and departmental appropriations.

Conclusion – Response accepted.

IV-C-02 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-02 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

- IV-E-02 Business Transactions – The following business transaction between the County and County officials or employees were noted:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|--|----------|
| Mary Taylor, Secretary to County Attorney, husband is part owner of Copy Plus | Supplies for various County departments | \$ 8,387 |
| Kevin Middleswart, Supervisor, owner of Middleswart Well Company | Well closure | 182 |

Recommendation – In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with the Supervisor do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

The transactions with Mary Taylor may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa. The County should consult legal counsel to determine the disposition of this matter.

Response – The County will continue to consult the County Attorney on this matter. The County will try to bid purchases to ensure items are purchased from the lowest price vendor.

Conclusion – Response accepted.

- IV-F-02 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

- IV-G-02 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Although minutes of Board proceedings were published, they were not always published within the time period specified by Chapter 349.18 of the Code of Iowa.

Recommendation – The County should ensure that all board proceedings are published as required.

Response – We have corrected this. The person who took care of minutes transferred to another office and it was during election time. I have since filled the position and minutes have been kept up.

Conclusion – Response accepted.

- IV-H-02 Deposits and Investments – Deposits and investments were in compliance with Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

IV-I-02 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-02 County Sheriff Reports – The Sheriff did not file a quarterly report of fees collected with the Board of Supervisors as required by Chapter 331.655(3) of the Code of Iowa. Also, the Sheriff did not file a report of condemnation funds with the Board of Supervisors and County Treasurer as required by Chapter 331.656(2) of the Code of Iowa.

Recommendation – The required reports should be completed and filed with the Board of Supervisors.

Response – We will do this.

Conclusion – Response accepted.

IV-K-02 County Code of Ordinances– The County Code has not been recodified within the past five years.

Recommendation – Chapter 331.302(9) of the Code of Iowa states in part, “At least once every five years, the Board shall compile a code of ordinances containing all of the county ordinances in effect.” The County should review this for compliance.

Response – The County plans to codify ordinances by resolution during fiscal year 2003.

Conclusion – Response accepted.

IV-L-02 Conservation Bike Trail – Total costs on the bike trail construction project exceeded the approved contract and change orders by \$13,200.

Requests for reimbursement for the state trail funds were not clearly verifiable to the County’s records or to supporting documentation. The costs reported on the requests for reimbursement did not agree to actual expenditures.

Recommendation – The County should establish procedures to ensure payments on future contracts do not exceed approved amounts. Change orders should be submitted to the Board of Supervisors for approval prior to allowing costs to exceed the approved contract. Requests for reimbursements should be clearly verifiable to County records and appropriate supporting documentation.

Response – We are researching the unapproved change order with our engineering firm and contractor. In the future, we will ensure that all changed orders are approved and reconcile to progress billings.

The bike trail grant has not been finalized. The final request for reimbursement will report actual costs.

Conclusion – Response accepted.

Warren County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

IV-M-02 Local Board of Health Minutes – Certain minutes of the Local Board of Health meetings were not signed.

Recommendation – The minutes should be properly signed to authenticate the record.

Response – I have double checked all of the approved minutes for signatures. They have been signed and filed in the binder for review.

Conclusion – Response accepted.

IV-N-02 County Conservation Board Minutes – Certain minutes of the County Conservation Board meetings were not signed.

Recommendation – The minutes should be signed to authenticate the record.

Response – Signing will be caught up and future minutes signed as approved.

Conclusion – Response accepted.

IV-O-02 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2002 for the County Extension Office did not exceed the amount budgeted.

Certain County Agricultural Extension Council minutes were not signed as required by Chapter 176A.14(3) of the Code of Iowa.

Recommendation – All minutes should be signed to authenticate action taken.

Response – The missing signatures on the November and June minutes were an oversight. The June minutes were signed at the February 2003 meeting. The others will be signed as soon as possible.

Conclusion – Response accepted.

Warren County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Katherine L. Rupp, CPA, Senior Auditor II
Jennifer Campbell, CPA, Staff Auditor
Kelly L. Rea, CPA, Staff Auditor
Lora A. Van Essen, CPA, Staff Auditor
Samantha A. Gomez, Assistant Auditor
Nicole B. Tenges, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State